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STARS MANUAL

1099-MISCELLANEOUS TAX REPORTING

INTRODUCTION

The following chapter covers how information in the vendor payment file, the vendor edit table, and expenditure subobject descriptor table is used to determine whether a 1099-MISC tax form will generate for a vendor. The goal is to have all 1099-MISC reportable payments posted to the vendor payment file, which is used for the 1099 System extract.

1099 MISCELLANEOUS (1099-MISC) TAX REPORTING

1099-MISC REPORTING – WHAT IS IT

The IRS requires certain payments to be reported to them on IRS Form 1099-MISC. On behalf of the State of Idaho, the State Controller's Office (SCO) reports these payments to the Internal Revenue Service (IRS) and the State Tax Commission. The SCO reports under the tax identification number assigned to the State of Idaho. If your agency must file any other tax forms, you must use a TIN assigned to your agency. (Example: Some agencies may need to file 1099-G forms for information regarding some of their agency-specific Federal grants.)

The 1099 System extracts information from STARS based on the status of the following information on the STARS files/tables:

1. **ORGANIZATION CONTROL TABLE** - The SCO EIN Indicator must be "Y" – for yes. A "Y" means that the SCO should report 1099-MISC information on behalf of your agency.
2. **VENDOR PAYMENT FILE** - The transactions must post to the Vendor Payment File in order for the SCO to identify and report the 1099-MISC information.
3. **EXPENDITURE SUBOBJECTS** – The set up on an expenditure subobject determines if a payment could be 1099-MISC reportable.
4. **VENDOR EDIT TABLE** - The Vendor Name, Vendor Number, and Address on the vendor edit table must be correct, because this information is used to address the 1099-MISC forms. The 1099 Indicator on this table is a part of determining whether payments to a vendor are 1099-MISC reportable. The SCO only reports 1099-MISC information for statewide (agency 000) vendors and Health and Welfare (agency 270) vendors with a DMI of "V".

These items will be covered in depth later in this chapter.

A combination of the above information, plus an accumulation of \$600 or more paid statewide to a vendor, determines whether or not a 1099-MISC tax form will generate for a vendor.

IRS 1099-MISC REGULATIONS

IRS Form 1099-MISC is for the following types of items per IRS publication “2003 Instructions for Forms 1099-MISC”:

File Form 1099-MISC, Miscellaneous Income, for each person to whom you have paid (a) at least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest (see, (b) at least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, and medical and health care payments, crop insurance proceeds, or cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish; (c) any fishing boat proceeds; or (d) gross proceeds paid to an attorney. In addition, use Form 1099-MISC to report that you made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment. You must also file Form 1099-MISC for each person from whom you have withheld any Federal income tax under the backup withholding rules, regardless of the amount of the payment

The 1099-MISC items reported by the State Controllers’ Office are the item b and d payments in the description above. Be sure to check the IRS website under IRS Forms and Publications <http://www.irs.gov/formspubs/index.html> for updates to the Form 1099-MISC information.

1099-MISC REPORTING – UNDERSTANDING THE BASICS

VENDOR NUMBER - REQUEST FOR TAXPAYER IDENTIFICATION NUMBER

The Internal Revenue Code requires us to report certain income to the IRS using a U.S. taxpayer identification number (TIN). A TIN can be a social security number (SSN) assigned to individuals by the Social Security Administration (SSA) or an employer identification number (EIN) assigned to businesses and other entities by the IRS.

Payments to vendors who are foreign persons (non-resident alien individuals, foreign corporations, partnerships, estates, or trusts) generally are not subject to U.S. reporting requirements. Also, foreign persons are not generally required to have a TIN, nor are they subject to any backup withholding because they do not furnish a TIN to a payer or broker. We will cover backup withholding later in this chapter.

However, foreign persons with income effectively connected with a trade or business in the United States must have a TIN.

FORM W-9

Form W-9 (or an acceptable substitute) is used by persons required to file information returns with the IRS to get the payee’s (or other person’s) correct TIN (Tax Identification Number).

The Form W-9 requests the taxpayer identification number (TIN) of a U.S. Person (including a resident alien) and to request certain certification and claims for exemption. The taxpayer may have to certify that:

- The TIN they are giving is correct (or that they are waiting for a number to be issued),
- Certify they are not subject to backup withholding, or
- Claim exemption from backup withholding if the vendor is an exempt payee.

However, in some cases, individuals who become U.S. resident aliens for tax purposes are not eligible to obtain an SSN. This includes certain resident aliens who must receive information returns but who cannot obtain an SSN. These individuals must apply for an ITIN on Form W-7, Application for IRS Individual Taxpayer Identification Number, unless they have an application pending for an SSN. Individuals who have an ITIN must provide it on Form W-9.

The following is a discussion of the various fields on the IRS Form W-9. Agency personnel are only allowed to complete the “Requestor’s Name and Address” area. All other fields must be completed by the vendor. For information on using the Form W-9 when completing the STARS Vendor Enrollment Form, see the [STARS Vendor Chapter](#). The most current IRS Form W-9 and its instructions can be found at <http://www.irs.gov/pub/irs-pdf/fw9.pdf>.

FORM W-8

If the vendor is a foreign person, the vendor must use the appropriate Form W-8. There are a number of different W-8 forms and regulations regarding foreign status. You will need to identify the type of foreign vendor being added to STARS and obtain the appropriate W-8 form to retain in your office.

Depending on the type of foreign entity, there may also be IRS tax reporting on a form other than Form 1099-MISC.

See the [IRS](#) section later in this chapter for links to the IRS forms sight to locate the miscellaneous W-8 forms and instructions.

NAMES AND TINS TO USE FOR 1099-MISC INFORMATION REPORTING

Since the information for the 1099-MISC form comes from the Vendor Edit Table, this information must conform to IRS regulations for Names and TINs. The TINs are called vendor numbers in STARS. There are some specific IRS requirements for the Names and TINs. You can find this information on the back of the Form W-9 and in the Instructions for the Requestor of Form W-9.

WHEN MIGHT A BUSINESS CHANGE THEIR VENDOR NUMBER?

If a vendor already has an EIN and the organization or ownership of their business changes, they may need to apply for a new number. Some of the circumstances under which a new number is required are as follows:

1. An existing business is purchased or inherited by an individual who will operate it as a sole proprietorship, unless the new owner already has an EIN.
2. A sole proprietorship changes to a partnership.
3. A partnership changes to a sole proprietorship.
4. A corporation changes to a partnership or a sole proprietorship (and the corporation is not an LLC changing its classification using [Form 8832](#)).
5. An individual owner dies and the estate takes over the business.

For more information see IRS Publication 1635, *Understanding Your EIN*.

TO WHOM MUST THE VENDOR SUPPLY A TIN?

The State of Idaho requests that all vendors supply their valid TIN prior to receiving payment from the State.

Internal Revenue Code [SECTION 6109](#) describes the rules of supplying identifying numbers and of furnishing of numbers to other persons.

Internal Revenue Code – [SECTION 7213](#) describes the rules regarding unauthorized disclosure of information by the state.

VALID SSN OR EIN NUMBERS

When reviewing the W-9 for information, you should check to see if the vendor number (TIN) is a SSN or an EIN number. If it is an SSN, the name must be an individual's name. If it is not, contact the vendor to get the name that belongs to the SSN.

SSN (SOCIAL SECURITY NUMBER)

Generally, if the first three (3) digits of the number are between 001 and 649, then the number is an SSN. SSN's are usually presented in 000-00-0000 format.

EIN (EMPLOYER IDENTIFICATION NUMBER)

The EIN number is in the 00-0000000 format. When the IRS assigns an EIN, they make sure:

- The EIN does not start with any of the first three digits assigned to an SSN.
- The EIN has nine positions.
- The EIN is all numeric.
- The EIN is not all zeros or all nines.

STATE TAX NUMBERS

You may get a vendor trying to submit a number shorter than nine digits or starting with 000. These numbers are employer numbers to remit State of Idaho tax payments. Do NOT accept these numbers on a Form W-9. Contact the vendor to find their Federal Employer Identification Number.

SUBOBJECTS AND 1099-MISC BOX REPORTING

EXPENDITURE SUBOBJECTS

Each expenditure subobject is set up on STARS Descriptor Table 10. Entries in the 1099-MISC area on the reference-data line determine the 1099-MISC reporting for each expenditure subobject.

VERSION 3.1	STARS--DESCRIPTOR TABLE MAINTENANCE/INQUIRY	S023
FUNCTION: N (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
TABLE-ID-NUMBER: 10 EXPENDITURE SUBOBJECT		
....1....2....3....4....5		
TABLE-ENTRY-KEY: 5150	<div style="border: 1px solid black; padding: 5px;"> Subobject 5150 has M07 indicator. This will report on the 1099-MISC (M) in box 7 (07). </div>	
EXPEND SUBOBJECT		
REFERENCE-DATA: 500051010 M07 110500Y		
OBJSUMVLVL 1099BOX GVTPROPWCOMP		
TITLE: OTHER SERVICES		

The STARS User manual has three (3) different [Expenditure Subobject Listings](#) that can be useful in determining which expenditure subobject is most correct for recording an expenditure in STARS. When using the above link, scroll down to STARS Manuals: App. A – Subobjects and select the appropriate version.

Example of Expenditure Subobject Long List

SUBOBJECT	TITLE	1099	W/C	DESCRIPTION
5150	Other Services	M07	Y	Other services not specified above.

Entries in the 1099 column could be 0 - the subobject is for **non-1099-MISC reportable** expenditures.

If the expenditure is for **1099-MISC reportable** expenses, this column will show the box number the payment would post to on the 1099-MISC form. The boxes are as follow:

- M01 Box 1 - Rent
- M03 Box 3 - Other income, such as prizes and awards
- M06 Box 6 - Medical, including medical payments to a corporation
- M07 Box 7 - Non-employee compensation
- MN7 Box 7 - Non-employee compensation even if the payment to a corporation
- M14 Box 14 – Gross payments paid to an attorney.

If you do not use the correct expenditure subobject, the payment information may either report in the wrong 1099-MISC box, or not be reported at all. Form 1099-MISC does not generate on corporations (1099 Indicator of “N”) with the exception of those subobjects coded M06 or MN7. Also excluded from 1099-MISC reporting are payments to Vendor Types of E (employee reimbursements) and G (governments).

1099-MISC BOX TYPES EXTRACTED FROM STARS USING SUBOBJECTS

1099-MISC reporting for the State of Idaho currently reports on the box types listed below. If your agency has 1099-MISC payments other than these five boxes, please let the SCO know as soon as possible so the SCO can complete any needed program changes. For additional information on any of the 1099-MISC boxes, see the “Instructions for Forms 1099, 1098, 5498, and W-2G” found on the IRS website.

- Box 1 – Rentals
- Box 3 – Other Income
- Box 6 – Medical
- Box 7 – Non-Employee Compensation
- Box 14 – Gross Proceeds Paid to an Attorney

STARS TO 1099 SYSTEM EXTRACT FOR 1099-MISC REPORTING

THE EXTRACT PROCESS ELEMENTS

The 1099 System extracts information from the STARS based on the status of the following:

- [STEP 1: ORGANIZATION CONTROL TABLE SCO EIN INDICATOR IS YES](#)
- [STEP 2: TRANSACTION CODE MUST POST TO THE VENDOR PAYMENT FILE](#)
- [STEP 3: SUBOBJECTS USED BY AGENCIES WHEN PAYING A VENDOR](#)
- [STEP 4: 1099 INDICATOR ON THE VENDOR EDIT TABLE](#)
- [STEP 5: DETERMINING THE \\$600 THRESHOLD](#)
- [STEP 6: WHAT ADDRESS BELONGS ON THE 1099-MISC](#)

A combination of the above information, plus an accumulation of \$600 or more paid statewide to a vendor, determines whether or not a 1099-MISC tax form will generate for a vendor.

STEP 1: ORGANIZATION CONTROL TABLE SCO EIN INDICATOR IS YES

The 1099 System extract looks to the STARS Organization Control Table (S025) to determine whether the state agency will be reporting their 1099-MISC to the IRS or if the State Controller's Office will be reporting on behalf of the agency.

Table 25 – Organization Control Table

VERSION 3.1	STARS--ORGANIZATION CONTROL TABLE MAINTENANCE/INQUIRY	S025
FUNCTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: 230	TRANS YEAR: 01	SCO EIN IND: Y FAS IND: Y

The STARS to1099 System extract uses the **SCO EIN IND** indicator to determine whether the 1099-MISC reporting will be done by the agency or SCO. "Y" means SCO will do the 1099-MISC tax reporting to the IRS on behalf of the agency. "N" means the agency will do their tax reporting directly to the IRS.

The majority of the agencies in the State of Idaho use the State Controller's Office's 1099 System to report to the IRS and State Tax Commission. The SCO staff updates this indicator each year based on the 1099 Survey sent out around October or November of each year.

STEP 2: TRANSACTION CODE MUST POST TO THE VENDOR PAYMENT FILE

In order for the 1099 System extract to obtain information for 1099-MISC reporting, the transaction must be on the Vendor Payment File. The process extracts transactions with effective dates from January 1 through December 31 of each calendar year by using both the Prior Year Vendor Payment File (January 1 – June 30) and the Vendor Payment File (July 1 – December 31). If a payment is 1099-MISC reportable, you must use a transaction code that posts to the vendor payment file. The Transaction Code Decision Table has an indicator to show whether the transaction code will post to the vendor payment file.

A normal TC 230 transaction code posts to the Vendor Payment File for possible 1099 reporting.

Example of a Transaction Code that posts to the Vendor Payment File

VERSION 3.1	STARS--TRANSACTION CODE DECISION TABLE MAINTENANCE/INQUIRY	S028
FUNCTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
TRAN-CODE: 230 TITLE: RECORD A EXPENDITURE VOUCHER NOT PREVIOUSLY ENCUMBERED		
GENERAL-LEDGER-	DR	CR-2:
POSTING	DR	CR-4:
TRANSACTION	CI	R BUDU R FUND R FDTL ESUB I
EDIT-INDS	EDTL	GLA N VNUM I VNAME VADD
PCN N	PROJ	DOCD DUDT N WARR N SECA N
POSTING-SEQ: 5	REGI	AR-FUND: Y VEND-PAYMENT: Y
GEN-TC:	GEN-ACCR-TC:	
	A/S FIELD MATCH GLA DOC SUB	A/S FIELD MATCH GLA DOC SUB
DF:		
FILE	AP: + 12 M	

Vendor Payment File
posting indicator – **Y** for yes
to post to VPF, N for no do not
post to VPF

POSTING AL: + 09

A TC 282 transaction code does not post to the Vendor Payment File for possible 1099 reporting. You would have to manually report a 1099-reportable payment to the SCO 1099 System.

NOTE: To prevent having to manually determine whether the payment is 1099-reportable, put the vendor on the Vendor Edit Table and use the TC 230 transaction code.

Example of a Transaction Code that DOES NOT post to the Vendor Payment File

VERSION 3.1 STARS--TRANSACTION CODE DECISION TABLE MAINTENANCE/INQUIRY S028																		
FUNCTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)																		
TRAN-CODE: 282 TITLE: RECORD AN EXPENDITURE NOT PREVIOUSLY ENCUMBERED																		
GENERAL-LEDGER- DR-1: 4200 CR-1: 1003 DR-2: CR-2:																		
POSTING DR-3: 1003 CR-3: 2101 DR-4: CR-4:																		
TRANSACTION	CI	MODI	N	R	V	R	S	INDX	R	PCA	R	BUDU	R	FUND	R	FDTL	ESUB	I
EDIT-INDS	EDTL	RSUB	N	R	DTL	N	SUBS	N	MULT	GLA	N	VNUM	N	VNAM	I	VADD	I	
PCN	N	PROJ	GRNT	CDOC	I	RDOC	INVC	DOCD	DUDT	N	WARR	N	SECA	N				
POSTING-SEQ: 5 REGISTER-NO: 4 WAR-WRITING: 1 CLEAR-FUND: Y VEND-PAYMENT: N																		
GEN-TC: GEN-ACCR-TC:																		
	A/S	FIELD	MATCH	GLA	DOC	SUB	A/S	FIELD	MATCH	GLA	DOC	SUB						
DF:																		
FILE	AP:	+	12			M												
POSTING	AL:	+	09															
	CC:	-	05															
	GP:	+	05															
	PJ:	+	05															
	SF:																	
	OF:	+	01			1												
	AD:																	
EFF-START-DATE: EFF-END-DATE: LAST-PROC-DATE: 111999																		

Vendor Payment File
posting indicator – Y for yes
to post to VPF, N or no do not
post to VPF

To verify that a transaction code posts to the Vendor Payment File, recall the transaction code on Screen 28 (STARS—Transaction Code Decision Table Maintenance/Inquiry) and look under VEND-PAYMENT. You could also check the DAFR8640 (Autodoc) under VENDOR-PAYMENT-IND found in the middle of the page of each transaction code. See the [Transaction Code Decision Table](#) chapter for more information.

STEP 3: SUBOBJECTS USED BY AGENCIES WHEN PAYING A VENDOR

When a transaction code posts to the Vendor Payment File, the transaction amount and the expenditure subobject code are included in the posting.

Every transaction that posts to the Vendor Payment File requires an expenditure subobject. The STARS 1099 extract uses this subobject as part of the determination whether the transaction vendor and amount will extract to the 1099 System.

VERSION 3.1		STARS--VENDOR PAYMENT FILE RECORD INQUIRY										S071	
AGCY: 230		VENDOR NO: 827864826 00										PRIOR FISCAL YEAR:	
VENDOR TYPE:		VENDOR NAME: PAPER THERMOMETER COMPANY											
CURR DOC		TRANS ID				TC R M		REFERENCE DOC		AMOUNT			
INDEX PCA		SOBJ		WARRANT		INVOICE NO		DESCRIPTION					
D0110489 01 230		09212000 4 146		00006 236		F		E0110359 01		709.00			
2021 14051		5695 113579952		164450				CUST# 6150/ORD#4337					
D0310262 01 230		08042000 4 255		00010 230						59.00			
2023 34051		5630 113477172		164086				CUST 13369					
D0610078 01 230		08242000 4 491		00006 230				E0600874 01		113.00			
2026 64051		5695 113579952		162867				ACCT #13177					
D0710177 01 230		08072000 4 554		00003 236		F		E0700897 01		59.00			
2027 74051		5695 113477172		163029				CUST# 12602					

Any expenditure subobject that is set up for 1099-MISC reporting could be extracted for use in the 1099 System. For additional information on the 1099 indicator, see [Expenditure Subobjects](#) earlier in this section.

STEP 4: 1099 INDICATOR ON THE VENDOR EDIT TABLE

VERSION 3.1		STARS--VENDOR EDIT TABLE MAINTENANCE/INQUIRY						S021											
FUNCTION: N (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)																			
VENDOR NUMBER: 123456789 00 DMI: VENDOR AGY: 000 AUTHENTICATION IND:																			
VEND TYPE: I VEND STATUS: 0 CHG AGY: W-9 AGY: 340 1099 NAME/ADDR: Y																			
SORT SEQUENCE: NELSONPLUM SS EIN NUMBER: 820045678 00								1099 INDICATOR: Y											
VENDOR NAME...: BRIAN L NELSON		<div style="border: 1px solid black; padding: 5px; display: inline-block;">1099 Indicator – Y or yes, or N</div>																	
VENDOR NAME 2: NELSON PLUMBING																			
VENDOR ADDRESS: 14246 HAMILTON RD																			
CITY: MCCALL					STATE: ID ZIP CODE: 83638														
PHONE:		CONTACT NAME:																	
ABA NO:		FINANCIAL INSTITUTION:																	
FINANCIAL INSTITUTION ACCT NO:					ACCT TYPE:														
PRENOTE IND:		PRENOTE DATE:																	
					LAST PAID DATE: 012699														
EFF START DATE:					LAST PROC DATE: 111497														
EFF END DATE:																			

The two types of 1099 Indicators are:

- Y - 1099-MISC reportable vendor
- N - not 1099-MISC reportable vendor

“N” is used with the following vendor types:

- E - Employee (state employee) – Employee business expense reimbursements are generally not 1099-MISC reportable.
- G - Government (federal, state, and local government) – Since governmental agencies are not engaged in a trade or business (operate for gain or profit), they are not 1099-MISC reportable.
- C - Corporation (usually identified by “Corporation”, “Incorporated”, “Inc.”, or “Corp.” in the name. If the name contains only the designation “Company,” the payments must be reported – unless you have received confirmation (such as a completed Form W-9) that verifies the corporate status of the vendor. Payments to corporations are not 1099-MISC reportable unless the payment is for medical and health care, payment for attorneys’ fees, or gross proceeds paid to an attorney. The 1099 System extracts these types of payments during the review of subobjects used, regardless of the “N” 1099 Indicator on the vendor.
- N - Non-profit (some non-profit organizations) – Payments to non-profit organizations that are tax-exempt (those not considered to be engaged in a trade or business) are not reportable. See the “Instructions for Form 1099-MISC” on the IRS internet site for more information.

“Y” is used on all other vendor types.

STEP 5: DETERMINING THE \$600 THRESHOLD

The \$600 threshold is based on a statewide accumulation. Although your agency may have only paid \$50 in 1099-MISC reportable transactions, another agency might have paid \$2,000 to the same vendor. The total for the two agency then exceeds the \$600 threshold. Therefore, when you submit any manual information to the SCO for input into the 1099 System, you must include all amounts even those under \$600. For additional information, see the [MANUAL REPORTING TO THE SCO](#) section later in this chapter. The 1099 System will total all payments and report only on those totaling over \$600 statewide.

STEP 6: WHAT ADDRESS BELONGS ON THE 1099-MISC

The 1099 System uses the address of the vendor record that has a “Y” (yes) in the 1099 NAME/ADDR field. If there is no “Y” on any of the suffixes for the vendor number, the 1099 System will use the first record on the Vendor Edit Table for that vendor number.

VERSION 3.1	STARS--VENDOR EDIT TABLE MAINTENANCE/INQUIRY	S021
FUNCTION: N (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
VENDOR NUMBER: 123456789 00 DMI: VENDOR AGY: 000 AUTHENTICATION IND:		
VEND TYPE: I VEND STATUS: 0 CHG AGY: W-9 AGY: 340		1099 NAME/ADDR: Y
SORT SEQUENCE: NELSON		1099 INDICATOR: Y
VENDOR NAME...: BRIAN E NELSON		

1099 SYSTEM EXTRACT PROCESS

STEP 1: ORGANIZATION CONTROL CHECK

SCO EIN indicator = Y

If the SCO EIN indicator is a "yes", the extract process will begin for the agency.

SCO EIN indicator = N

If the SCO EIN indicator is a "no", no 1099 information is extracted for the agency.

STEP 2: TRANSACTION CODE MUST POST TO THE VENDOR PAYMENT FILE

TC's VEND-PAYMENT indicator = Y

If the TC's VEND-PAYMENT indicator is a "yes", the transaction will be on the Vendor Payment file for the extract process.

TC's VEND-PAYMENT indicator = N

If the TC's VEND-PAYMENT indicator is a "no", no 1099 information is extracted for the agency since the payment is not on the Vendor Payment File.

NOTE: If a payment is tax-reportable, you must manually report the information.

STEP 3: SUBOBJECTS USED BY AGENCY WHEN PAYING A VENDOR

Subobject's 1099Box code = Mxx

If the subobject's 1099Box code on the D10 is M01, M03, M06, MN7 or M14 the transaction on the Vendor Payment File may be extracted to the 1099 System.

Subobject's 1099Box code = 0

If the subobject's 1099Box code on the D10 is "0-no", no 1099 information is extracted for that transaction on the Vendor Payment File.

STEP 4: 1099 INDICATOR ON THE VENDOR EDIT TABLE

1099 Indicator = Y

If the 1099 Indicator is a "yes", the 1099 System will extract the transaction for possible 1099-MISC reporting.

1099 Indicator = N

If the 1099 Indicator is a "no" but the 1099Box code is an M06 or MN7, and the Vendor Type is not E or G, the 1099 System will extract the transaction for possible 1099-MISC reporting.

1099 Indicator = N

If the 1099 indicator is a "no", and the 1099Box code is an M01, M03, M07 or M14, no 1099 information is extracted for that transaction on the Vendor Payment File.

STEP 5: DETERMINATION OF THE \$600 THRESHOLD

Vendor total =>\$600

If statewide total for vendor is equal to or greater than \$600, the 1099 system issues a 1099-MISC.

1099-MISC IS ISSUED TO VENDOR!

Vendor total < \$600

If statewide total for vendor is less than \$600, the 1099 system will not issue a 1099-MISC.

WHAT HAPPENS AT THE IRS AND STATE TAX COMMISSION

The SCO submits a tape of the 1099 System processing results to the IRS and the State Tax Commission. When the IRS processes the tape, they do a matching process as outlined in the following:

THE IRS MATCHING PROCESS

The IRS compares the 1099-MISC tape to a TIN file containing all social security numbers (SSNs) issued by Social Security Administration (SSA) and all employer identification numbers (EINs) issued by the Internal Revenue Service (IRS). If the name/TIN combination on the 1099-MISC tape matches the name/TIN combination in the TIN file, the 1099-MISC return information is accepted. If the name/TIN combination does not find a match, the 1099-MISC return information is considered to be a non-match.

Although the IRS allows extraneous words or titles (i.e., Mr., Mrs., Dr., etc.), they may drop this information during subsequent processing.

After the IRS runs the tape in the matching process, they notify the State Controller's Office of the name/TIN combinations that are non-matches.

IRS NAME/TIN NON-MATCHES

Each year, the IRS compiles the non-match information and sends a list to the State Controller's Office along with a letter outlining the IRS's proposed penalties. The SCO accounts for all match problems to show to the IRS why the proposed penalties should be waived. The IRS sends a list of non-matches in the spring and a follow up list in the fall. After receiving the list in the spring, the SCO checks it against the current Vendor Edit Table to see if the IRS information agrees or disagrees with the current information on the Vendor Edit Table.

- **IRS NON-MATCH INFORMATION IS DIFFERENT THAN THE CURRENT VENDOR EDIT TABLE INFORMATION** - If a name or number change was processed after the submission of the 1099-MISC data, the vendor is left in the active status. A change would indicate that an agency has already provided the SCO with updated information.
- **IRS NON-MATCH INFORMATION IS THE SAME AS THE CURRENT VENDOR EDIT TABLE INFORMATION** - If the vendor name and number are the same as the IRS Match Error tape, the vendor is inactivated and information is added to the contact name field identifying the record as being a "IRS Match Error". The vendor will have to supply a **new signed W-9** before the vendor will be re-activated.

After receiving the follow up list in the fall, the SCO repeats the above process. The SCO determines at this time whether this is the first or second time within three calendar years that the IRS has notified us that the name/TIN is incorrect. Any vendors that are still inactivated from the spring are sent the appropriate IRS "B" Notice. The first "B" Notice is sent to vendors in the first year of non-match status and requires the vendor to complete and sign a new IRS Form W-9. The second "B" Notice is sent to vendors in the second of three years of non-match status and

requires a certification from either the SSA or the IRS as the correctness of the name/TIN combination.

POSSIBLE PENALTIES TO STATE AGENCY

THE 2/3 RULE – If the IRS determines that the vendor has been reported as a non-match name/TIN combination two out of three years (the 2/3 rule), the State could be fined **\$50 per return**. The SCO will pass this fine on to the state agency (usually the W-9 AGY) that set up the incorrect information. If the information is determined to have been changed to incorrect information by another agency, the CHG AGY will incur the fine.

FAILURE TO FURNISH CORRECT PAYEE STATEMENTS (1099s TO VENDORS) - “Payee statement” has the same meaning as “statement to recipient”. If the vendor is provided with incorrect information on the 1099-MISC, the State could be subjected to a penalty. Therefore, the agencies should review the 1099 reports carefully and make sure that any and all changes are communicated to the SCO by any stated deadlines.

WHY DOES THE SCO INACTIVATE THE VENDOR

The State of Idaho inactivates IRS non-match vendors until we receive a **signed W-9** from the vendor certifying their TIN. This information is not solicited from the vendor by telephone because the IRS requires a signed Form W-9 that certifies that the provided TIN is correct.

When the IRS notifies the State of an incorrect match, we are required to send a B-Notice to the vendor requesting a W-9 certifying the vendor’s TIN. The vendor will remain inactive until the SCO receives a new signed W-9. If the non-match is the second non-match in a three year period, the vendor is required to contact either the SSA (for social security numbers) or the IRS (for employer identification numbers) for a certification from them showing the name/TIN combination in their records.

The State of Idaho has chosen not to do backup withholding. Instead, the State withholds payment until the vendor provides either a signed W-9 or the certification described above.

HOW DOES AN IRS NON-MATCH VENDOR GET RE-ACTIVATED

Before a non-match vendor can be re-activated for payment, the SCO requires a signed W-9 form (or SSA/IRS certification letter) from the vendor. When the SCO receives the needed document, the vendor information is updated accordingly, and the number with the new information will be available for future payments.

1099-MISC REPORTING – HOW TO ADJUST

When you make adjusting entries from one expenditure subobject to another and either code is 1099-MISC reportable, you should use the transaction codes listed below. Any time you adjust between expenditure subobject codes, you may be changing the total amount for the 1099-MISC or changing a total in a specific box type. Not all adjustment transactions codes post to the vendor payment file (which is used in the 1099 System extract). If an adjustment transaction

code does not post to the vendor payment file, the 1099-MISC amount will not be updated to reflect the change and manual adjustments to the 1099 System may be required.

ADJUSTMENT TRANSACTION CODES THAT POST TO THE VENDOR PAYMENT FILE

The following adjustment transaction codes post to the vendor payment file and should be used when adjusting an expenditure from one subobject code to another – specially if either of the codes are 1099-MISC reportable.

ADJUSTING TRANSACTION CODES		
TC	TITLE	GL
27A	EXPENDITURE ADJ TO VENDOR PAYMENT FILE – REDUCTION	Dr 1003 Cash Cr 4200 Expenditures
27B	EXPENDITURE ADJ TO VENDOR PAYMENT FILE – CHARGE	Dr 4200 Expenditures Cr 1003 Cash
27C	ENCUMBRANCE EXPENDITURE ADJ TO VENDOR PMT FILE – CHARGE	Dr 4200 Expenditures Cr 1003 Cash Dr 3001 Reserve for Encumber Cr 4300 Encumbrances

SOME ADJUSTMENT TRANSACTION CODES DO NOT POST TO THE VENDOR PAYMENT FILE

The following adjustment transaction codes do not post to the Vendor Payment File and should only be used on adjustments within the same subobject such as cost allocations.

If you use these transaction codes for adjustments between subobjects, you should analyze whether the 1099-MISC reporting requirement is different for the subobjects. If it is different, you should use the 27A/27B/27C codes previously discussed, or you must manually report the information by vendor and calendar year to the SCO for manual input into the 1099 System.

SAME SUBOBJECT – ADJUSTING TRANSACTION CODES (COST ALLOC)		
TC	TITLE	GL
270	EXPENDITURE ADJ TO VENDOR PAYMENT FILE – REDUCTION	Dr 1003 Cash Cr 4200 Expenditures
271	EXPENDITURE ADJ TO VENDOR PAYMENT FILE – CHARGE	Dr 4200 Expenditures Cr 1003 Cash
273	ENCUMBRANCE EXPENDITURE ADJ TO VENDOR PMT FILE – CHARGE	Dr 4200 Expenditures Cr 1003 Cash Dr 3001 Reserve for Encumber Cr 4300 Encumbrances

MANUAL REPORTING TO THE SCO

Each November, the SCO will send to agencies an instruction letter and a preliminary listing of vendors and amounts that are 1099 –MISC reportable. The letter includes current procedures for filing corrected 1099-MISC information with the SCO. In general, manual 1099-MISC reporting to the SCO could include the following:

- A 1099-MISC reportable payment was made using a transaction code that does not post to the vendor payment file.
- Payments of non-state entities that require reporting under their own federal ID number, but payments on their behalf have been made through STARS. (You may need to request the SCO to deduct these amounts from the STARS extract amounts, per vendor.)
- 1099-MISC reportable amounts accidentally posted to a generic vendor number that should not be used for payments of this nature. EX: PCARD0000-PC, ROTARYXXX-00, etc.
- Other 1099-MISC reportable items not posted to the Vendor Payment File for any reason.

You must report the amount, the vendor number, name, and address to the SCO for manual update to the 1099 System at the end of the calendar year.

1099-MISC REPORTING – SOLVING COMMON PROBLEMS

Below are a few scenarios where you will need to do an adjusting entry to correct information on the Vendor Payment File for 1099-MISC reporting. You should make these types of adjustments on a batch type 4 or 5.

- [Scenario 1](#) - Payment is on the Vendor Payment File with a wrong subobject.
- [Scenario 2](#) - Payment is on the Vendor Payment File with a wrong PCA or Index.
- [Scenario 3](#) - Payment is on the Vendor Payment File, but you want to do cost allocations.
- [Scenario 4](#) - Payment is not on the Vendor Payment File, but should be.
- [Scenario 5](#) - Payment is not on the Vendor Payment File, but should be and has the wrong the expenditure subobject.
- [Scenario 6](#) - You do not know if a payment is 1099-MISC reportable.

Scenario #1

PAYMENT IS ON THE VENDOR PAYMENT FILE WITH A WRONG SUBOBJECT

If either the wrong subobject or the correct subobject are 1099-MISC reportable, you should use the TCs' 27A, 27B or 27C to post both sides of the adjustment to the Vendor Payment File. For additional information, see the [Adjustment Transaction Codes That Post to the Vendor Payment File](#) section earlier in this chapter.

Scenario #2

PAYMENT IS ON THE VENDOR PAYMENT FILE WITH A WRONG PCA OR INDEX

Since neither the PCA nor the Index are part of the criteria for the 1099 extract, you do not have to worry about the adjustment posting to the Vendor Payment Table. However, you may still want to use the TCs' 27A, 27B, or 27C so the adjustment will show on the table. For additional information, see the Expenditure Adjustment Transaction Codes section of the [Expenditures and Disbursements](#) chapter of the STARS User Manual.

Scenario #3

PAYMENT IS ON THE VENDOR PAYMENT FILE BUT YOU WANT TO DO COST ALLOCATIONS

If the subobject is remaining the same or if the 1099-MISC reporting is remaining the same, you may use the 270/271/273 adjustment transaction codes.

Scenario #4

PAYMENT IS NOT ON THE VENDOR PAYMENT FILE BUT SHOULD BE

Since the payment must be on the Vendor Payment File for the 1099 extract, you will need to manually submit the information to the State Controller's Office, Division of Statewide Accounting when requested at the end of the year. In order to eliminate this manual process, use transaction codes that post to the Vendor Payment File whenever possible.

Scenario #5

PAYMENT IS NOT ON VENDOR PAYMENT FILE –SHOULD BE AND HAS WRONG EXPENDITURE SUBOBJECT

If a payment was made with a transaction code 282 (which does not post to the Vendor Payment File) and an incorrect expenditure subobject that is not 1099 reportable, but the payment should have been made with a 1099 reportable expenditure subobject, the procedure to report correctly depends if the expenditure posted in the current fiscal year or the last fiscal year. If the expenditure posted in the previous fiscal year, you will need to manually submit the information to the SCO, Division of Statewide Accounting when requested at the end of the year. If the expenditure posted in the current fiscal year, use a transaction code 270 with all the original coding to back the payment off of STARS and a transaction code 27B with the correct expenditure subobject, TIN, and any other needed coding to record the payment correctly on STARS.

Scenario #6

YOU DO NOT KNOW IF A PAYMENT IS 1099-MISC REPORTABLE

If you have questions whether an expenditure is 1099-MISC reportable, first contact the SCO 1099 contact people indicated in your SCO 1099-MISC correspondence letters. If necessary, we will direct you to the State Tax Commission or the IRS for a determination on your situation.

1099-MISC PROCESSING – SCHEDULE

MONTHLY SCHEDULE OF ACTION AND REPORTS

The following is the approximate schedule for the 1099-MISC which starts at the end of one calendar year and ends the first part of the next calendar year. The SCO completes the processing, but your agency has various obligations for information review during the process. The actual timing could vary from this schedule.

MONTH	ACTIVITY
SEPTEMBER – NOVEMBER	<p>THE SCO RECEIVES IRS PUBLICATION 1220 AND STATE TAX COMMISSION CHANGE INFORMATION</p> <p>These publications identify changes for reporting for the calendar year. The SCO must update STARS and/or the 1099 System by December with any needed changes. If your agency does any other type of tax reporting, you should review the appropriate publications for the type of forms you issue.</p>
OCTOBER	<p>THE SCO DELETES THE PREVIOUS YEAR'S 1099 INFORMATION</p> <p>The SCO keeps the 1099-MISC information on the 1099 System for about a year. At the beginning of the new 1099 season, the prior year's information is purged from the 1099 System.</p>
NOVEMBER	<p>AGENCY RECEIVES 1099-MISC SURVEY/ATTESTATION AND INSTRUCTION LETTERS</p> <p>The SCO will send your agency the yearly survey/attestation and instruction letters that will give you information on the 1099-MISC process and deadlines for filing. Your agency must complete the 1099-MISC survey letter/attestation letter, have it signed by an authorized person, and return it to the SCO by the deadline.</p>
	<p>THE SCO EXTRACTS PRELIMINARY 1099-MISC STARS DATA</p> <p>After the loading of the extract, the 1099 System creates preliminary reports which are mailed to the agencies for review. University information is not included in the extract.</p>
	<p>THE SCO RUNS A REPORT OF EXCEPTION RECIPIENTS BY FORM TYPE, WORKS WITH AGENCIES</p> <p>The SCO personnel will review the exception information on report DA802067 (Exception Report of 1099 Recipients by Form Type). If exception problems are found, we may contact your agency for further information. Corrections to the Vendor Edit Table must be made before calendar year-end.</p>

MONTH	ACTIVITY
	<p>AGENCY RECEIVES PRELIMINARY REPORTS WITH INSTRUCTIONS AND DEADLINE INFORMATION Your agency will receive report DA802068 (Report of Possible 1099 Recipients by Agency). The SCO will send instructions on what to look for and how to make the corrections. These preliminary reports are run so your agency will have time to make corrections to the STARS files before final processing at the end of December. The SCO contact personnel will be listed in the instruction letter.</p>
DECEMBER	<p>THE SCO FOLLOWS-UP ON 1099 SURVEY/ ATTESTATION LETTERS The SCO personnel will contact your agency if we have not received your 1099 survey/attestation letter by the deadline noted in the letter.</p>
	<p>THE SCO UPDATES THE ORGANIZATION CONTROL TABLE The SCO personnel will update the OC (Organization Control) Table based on the information on the 1099 survey/attestation letter. The SCO EIN Indicator must be "Y" for the 1099 System to extract data for your agency. If the SCO does not submit the 1099-MISCs for your agency, this indicator is an "N". Universities are currently the only agencies set to "N".</p>
	<p>AGENCY SUBMITS AND THE SCO UPDATES MANUAL 1099-MISC INFORMATION Your agency should submit all manual 1099-MISC information to the SCO by the end of December. If the information is not available by the end of December, notify the SCO of the delay. To have the manual information included in the 1099-MISC processing, your agency must send the manual corrections to the SCO shortly after December closes. The specific due dates will be in the instruction letter.</p>
JANUARY	<p>THE SCO DELETES THE PRELIMINARY 1099 DATA The SCO will clear all information used for the preliminary reports sent out the end of October so that final STARS data can be loaded.</p>
	<p>THE SCO EXTRACTS FINAL 1099-MISC STARS DATA Once STARS closes for December processing, final STARS data is loaded into the 1099 System. All changes to the information after this load will be by manual entries directly into the 1099 System.</p>

MONTH	ACTIVITY
	<p>THE SCO CONTACTS AGENCIES ON OUTSTANDING MANUAL 1099-MISCs</p> <p>After December closes, agencies that have notified the SCO of delays in submitting manual 1099-MISCs will be contacted for the anticipated submittal date.</p>
	<p>THE SCO RUNS A NEW REPORT OF EXCEPTION REPORT OF 1099 RECIPIENTS BY FORM TYPE</p> <p>The SCO personnel will review the exception information to identify any exception problems that have occurred since the October review. If the SCO finds additional problems, they will contact your agency for further information. Corrections may need to be made to the Vendor Edit Table before the SCO prints the 1099-MISC forms.</p>
	<p>AGENCY RECEIVES NEW PRELIMINARY REVIEW REPORTS WITH INSTRUCTIONS AND DEADLINES</p> <p>Your agency will receive a new DA802068 (Report of Possible 1099 Recipients by Agency) that will contain all of the information for the previous calendar year. You will have a short time in which to review and submit updates to the State Controller's Office for manual input to the 1099 System. This will be the last agency review before the SCO issues the 1099-MISC form to the vendors.</p>
	<p>THE SCO ENTERS FINAL CHANGES TO THE 1099 SYSTEM AND THE VENDOR EDIT TABLE</p> <p>Once the SCO receives the final changes from the agencies, they will manually update 1099 System and Vendor Edit Table before sending out the 1099-MISC forms to the vendors.</p>
	<p>THE SCO RUNS 1099 SYSTEM JOBS TO GENERATE 1099-MISC FORMS</p> <p>After all manual updates are complete the 1099 System will generate 1099-MISC forms.</p>

MONTH	ACTIVITY
	<p>THE SCO SENDS 1099-MISC REPORTS TO AGENCIES SHOWING INFORMATION ON THE 1099 SYSTEM Agencies will receive a new DA802068 report (Report of Possible 1099 Recipients by Agency) that will contain all of the information including manual updates for the calendar year. You can use this report to answer vendor needs questions about the 1099-MISC. There may be vendor information on the report even though a 1099-MISC was not generated to the vendor due to the over \$600 rule. If you have questions, please contact the SCO 1099 contact person.</p> <p>THE SCO MAILS 1099-MISC FORMS TO VENDORS BY JANUARY 31ST The SCO must mail the 1099-MISC forms by January 31st in order to avoid IRS penalties. The SCO normally runs the job to generate the 1099-MISC forms a couple of days early just in case problems arise in processing.</p>
FEBRUARY	<p>AGENCY/SCO ANSWER VENDOR QUESTIONS AND SUBMITS MANUAL CHANGES TO THE SCO Once the vendors start receiving their 1099-MISC forms, they may contact either your agency or the SCO. The SCO's phone number is on the 1099-MISC. If a vendor needs an explanation or did not get a 1099-MISC, they may contact the agency with which they did business.</p> <p>AGENCY SUBMITS REQUESTS FOR ADDITIONAL MANUAL 1099-MISCs If you find that your agency has submitted incorrect information on the vendor, you will need to contact the SCO <u>in writing</u> with the corrected information. The SCO will issue a manual 1099-MISC as a "new" or "change". We will also update the Vendor Edit Table to reflect any needed changes. The SCO will manually update the 1099 System with the manual information so that correct information goes to the IRS. The SCO also receives returned 1099-MISC forms from vendors identifying them as Corporations. We will change the 1099 indicator on the Vendor Edit Table and will delete the vendor's 1099-MISC information on the 1099 System before submission to the IRS.</p>

MONTH	ACTIVITY
	<p>THE SCO RUNS FINAL TAPE TO BE SUBMITTED TO THE IRS AND STATE TAX COMMISSION</p> <p>During the last few days of February, the SCO will run final tapes and submit them to the IRS and the State Tax Commission. These tapes must be mailed by February 28th – unless the SCO requests and is granted a filing extension to March 31st.</p>
FEBRUARY OR MARCH	<p>THE SCO SENDS FINAL 1099-MISC INFORMATION REPORTS TO AGENCIES</p> <p>The SCO will send your agency a final DA802068 (Report of Possible 1099 Recipients by Agency) that will contain all of the information for the previous calendar year. Timing of this report will be determined yearly, based on any IRS extension.</p>
AFTER FEBRUARY 28TH	<p>AGENCY SENDS IN AND THE SCO UPDATES ADDITIONAL MANUAL 1099-MISC AND DOES MANUAL SUBMISSIONS TO THE IRS AND STATE TAX COMMISSION</p> <p>If vendors request extensions in filing, you not hear of a discrepancy until after February 28th. Continue to submit additional manual changes to the SCO. The SCO will complete manual 1099-MISC and will manually report the information to the IRS and State Tax Commission before the next penalty deadline. If the IRS has granted a filing extension, the SCO will continue to update the 1099 System until filing with the IRS occurs.</p>

IRS CONTACT INFORMATION

IRS INTERNET SITE

<http://www.irs.gov>

You can search for IRS publications or forms including:

- Form W-9 and instructions
- All the versions of Form W-8 and instructions
- Form 1099-MISC and instructions
- Publication 1220

IRS toll free phone number: 1-800-829-3676

1099-MISC REPORTS – WHAT ARE THEY

1099-MISC REPORTS	
DA802066	<p>Report of Possible 1099 Recipients by Form Type (statewide)</p> <p>Lists, in TIN order, all of the statewide information extracted from STARS and any other upload data such as lottery and deceased employee information. The report shows the TIN, the agency, the vendor name and address, and totals per 1099 box. The report totals by box, then accumulates the boxes by vendor to identify if the total meets the \$600 threshold for 1099-MISC reporting. Since this is a statewide report, individual agencies should request the DA802068 instead of this report.</p>
DA802068	<p>Report of Possible 1099 Recipients <u>by Agency</u></p> <p>Lists, in TIN order, all of the agency information extracted from STARS and any other upload data such a lottery and deceased employee information. The report shows the TIN, the agency, the vendor name and address, and agency totals per 1099 box. These may not be reported on the 1099-MISC if the statewide total for the vendor is under \$600.</p>

SCO ONLY – 1099-MISC PROCESSING REPORTS

SCO 1099-MISC PROCESSING REPORTS	
DA802061	<p>Report of Online 1099 Changes</p> <p>Lists the manual changes made to the on-line 1099 System. Includes additions, changes, and deletions.</p>
DA802067	<p>Exception Report of 1099 Recipients by Form Type</p> <p>Lists exceptions from the 1099 System that the SCO needs to review and fix as needed. This report would show records such as:</p> <ul style="list-style-type: none"> Invalid state code Invalid 1099 agency Amount problem, such as negative amounts State employee (in Vendor 2 field)

SCO 1099-MISC PROCESSING REPORTS

DAFR0271

Vendor Edit Exception Report

Lists exceptions on the Vendor Edit Table such as:

1099 indicator not equal on all suffixes

Vendor type not equal on all suffixes

Vendor status not equal on all suffixes

No IRS Name and Address indicator

Job DA809245 can be run by accounting during the day.